

AR04

ANNUAL REPORT 1958



THE BELL TELEPHONE COMPANY OF CANADA



The telephone is always at hand when you need it, or when you want to enjoy a call. Just by being there, it makes life easier — and happier.

SEVENTY-NINTH

ANNUAL REPORT

THE BELL TELEPHONE COMPANY OF CANADA

1050 BEAVER HALL HILL, MONTREAL

YEAR ENDED DECEMBER 31, **1958**



Every year our customers make more long distance calls. Those which cannot be dialed direct are handled by an operator, trained in the art of providing efficient and courteous service.

DIRECTORS

L. J. ADJUTOR AMYOT *Quebec*

HENRY BORDEN, C.M.G., Q.C. *Toronto*

C. GORDON COCKSHUTT, M.C. *Brantford*

HON. C. A. DUNNING, P.C.* *Montreal*
deceased October 1, 1958

THOMAS W. EADIE* *Montreal*

JAMES A. ECCLES* *Montreal*

JOHN A. FULLER* *Montreal*
appointed November 26, 1958

C. EDOUARD GRAVEL* *Montreal*

R. DICKSON HARKNESS, D.S.O., M.C.* *Montreal*

FREDERICK JOHNSON* *Montreal*

ROBERT A. LAIDLAW *Toronto*

RAY E. POWELL* *Montreal*

EDWARD A. ROLPH* *Montreal*

H. I. ROMNES *New York*

CHARLES F. SISE* *Montreal*

GRAHAM F. TOWERS, C.M.G. *Ottawa*

*Member of the Executive Committee

OFFICERS

THOMAS W. EADIE
President and Chairman of the Board

EDWARD A. ROLPH
Executive Vice-President

DOUGLAS W. FERRIER, M.C.
Vice-President

GEORGE M. GRANT, C.B.E.
Vice-President

JAMES A. HOBBS
Vice-President

R. HOLLEY KEEFLER, C.B.E., D.S.O.
Vice-President

ALEXANDER G. LESTER
Vice-President

JACK R. LOGAN
Vice-President & Treasurer

WILLIAM MCNEILL, O.B.E.
Comptroller

NORMAN A. MUNNOCH, Q.C.
Vice-President & General Counsel

HAROLD G. YOUNG
Vice-President

SIMCOE C. SCADDING
Secretary

JOHN A. DOCHSTADER
Assistant to the President

VICE-PRESIDENTS & GENERAL MANAGERS

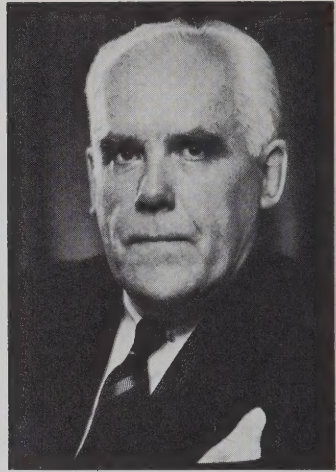
W. HARVEY CRUICKSHANK *Toronto Area*

JOHN S. FARQUHARSON *Montreal Area*

C. LEONARD DEWAR, O.B.E. *Toll Area*

MARCEL VINCENT *Eastern Area*

CONRAD E. WATSON *Western Area*



A MESSAGE FROM THE PRESIDENT

This report tells the story of a year of substantial progress. The telephones we serve increased by 185,465, our customers made eight per cent more long distance calls, and there was a good customer response to the widening variety of services that we market. However, for the second year in succession our earnings fell far short of what they should be in relation to the capital invested in the Company and our service responsibilities. New rates became effective only in December, although we had applied for an increase fifteen months before.

Despite the uncertainty of the Company's financial situation, your Board of Directors decided that every effort should be made to maintain our program for the improvement and expansion of service during 1958. In reaching this decision full consideration was given to our local and national obligations as well as to the great desirability of maintaining employment.

The new rates, representing our first general increase since March 1952, will improve our earnings, and there is clear need for such improvement. There is just one reason for our existence as a company—to provide our customers with good and sufficient service. In a period of national expansion this takes a large and sustained construction program. Since such a program cannot be financed out of earnings, our ability to meet service obligations depends on raising large sums of new capital in competition with many other attractive investments. Our earnings should therefore compare favour-

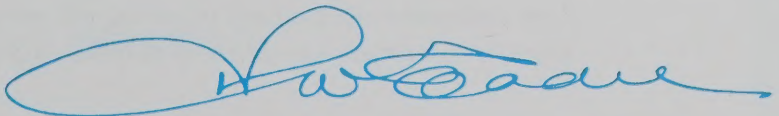
ably with those of other companies having a similar degree of risk. Indeed, they must stimulate public readiness to invest in the Company more than \$100,000,000 a year for some time to come.

To earn the greater revenues we need, we must continue to develop the scope and convenience of the telephone. We must also promote our services vigorously. Our sales record in 1958 showed how great is the appeal of more convenient and versatile service, and pointed up many opportunities for profitable selling.

You will find in this report a number of examples of what we are doing to increase the efficiency with which we run our business. In some cases the improvement was immediate, as in the extension of Direct Distance Dialing and the use of a new type of cable which has greatly simplified the splicing job. In others, we have been working for the future.

We must always assess and prepare for our customers' requirements well before they materialize. To provide service at the lowest possible cost, we must get the full value out of existing plant, and any new equipment has to function in harmony with that which is already serving well. Thanks to the magnificent scientific effort that is being devoted to improving telephone service, we have a wealth of devices and techniques to assist us.

It is a tradition of our industry to provide service that is both personal and courteous, such as customers are glad to receive and employees can be proud to render. The men and women who work for the Company have shown that this is the way they prefer to serve their fellow citizens. We have to ensure that our equipment and methods of doing business always sustain their personal efforts.



Montreal, February 4, 1959.

TELEPHONES

185,000 telephones were added — total now exceeds 3,000,000
Coloured telephones in service increased by 75,000
Waiting orders were reduced by two-thirds

EARNINGS

Earnings for the year were \$2.15 per share
Return on capital was 5.3 per cent
New rates — in effect December 1 — improved our outlook

REVENUES AND EXPENSES

Operating revenues were increased by 8.5 per cent
Rise in expenses was held to 8.6 per cent

FINANCING

\$80 million of bonds and debentures were sold
Employees' Stock Plan provided \$6.7 million of share capital
Rate situation forced deferral of stock issue

CONSTRUCTION

\$183 million was spent to improve and extend service
119 new or enlarged equipment buildings were completed
New microwave and cable routes improved long distance service

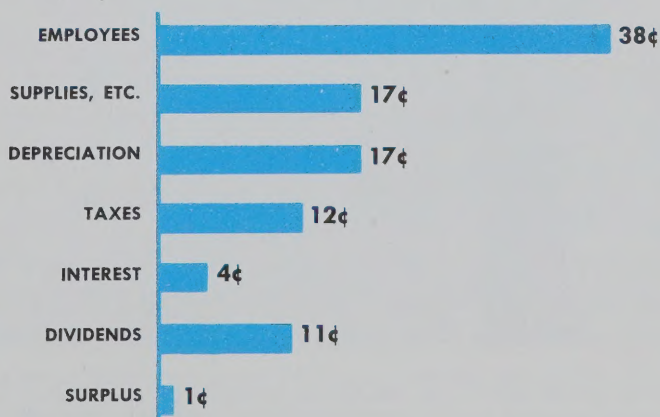
PRODUCTIVITY

New equipment and methods promoted efficiency
Increase in business was achieved by fewer employees

FINANCIAL SUMMARY

OPERATING REVENUES	\$328,817,571	
OTHER INCOME	6,809,537	
TOTAL		\$335,627,108
OPERATING EXPENSES	\$239,303,260	
TAXES	42,020,000	
INTEREST	15,404,559	
TOTAL		296,727,819
NET INCOME AVAILABLE FOR DIVIDENDS		\$ 38,899,289
DIVIDENDS		36,180,429
BALANCE CREDITED TO EARNED SURPLUS		\$ 2,718,860

DISPOSITION OF INCOME DOLLAR





Wherever people meet — for pleasure as for business — they rely on fast, convenient telephone service. Alert maintenance ensures that the calls go through in every season.

THE REPORT OF THE DIRECTORS

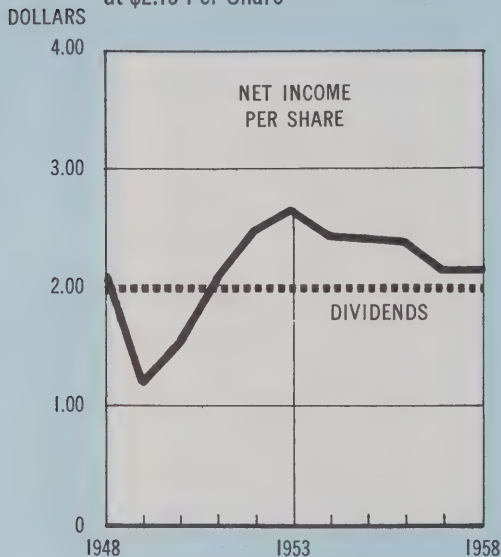
The Company's earnings, after payment of taxes and of interest on bonds and other obligations, amounted to \$2.15 per share — the same figure as in 1957. Thus 15 cents per share was added to surplus. Our accumulated financial protection in the form of surplus was \$2.07 per share at the end of the year, approximately the equivalent of one year's dividend.

	EARNINGS	
	1958	1957
Net Income	\$38,899,289	\$36,037,169
Dividends	36,180,429	33,480,970
Added to Surplus	\$ 2,718,860	\$ 2,556,199

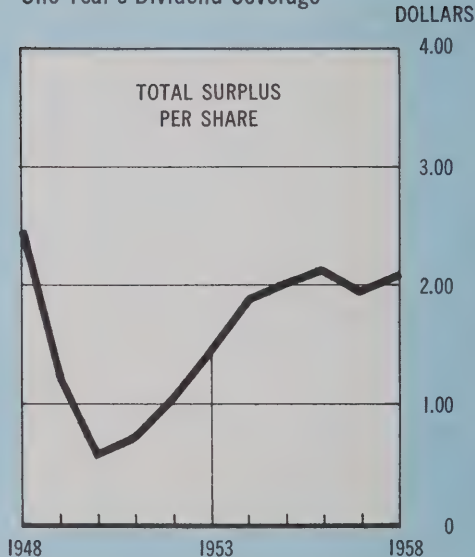
The increase in both operating revenues and expenses was somewhat smaller than it has been in recent years. Revenues rose by 8.5 per cent, with local service revenue 8.7 per cent higher, and long distance revenue 6.8 per cent higher. Other operating revenues, coming primarily from directory advertising, increased by 17.2 per cent.

Operating expenses went up 8.6 per cent, due chiefly to the higher wage rates which went into effect at the end of May. It was agreed in collective bargaining that these should remain in effect for 15 months.

Earnings Remained Steady
at \$2.15 Per Share



Accumulated Surplus Provided
One Year's Dividend Coverage



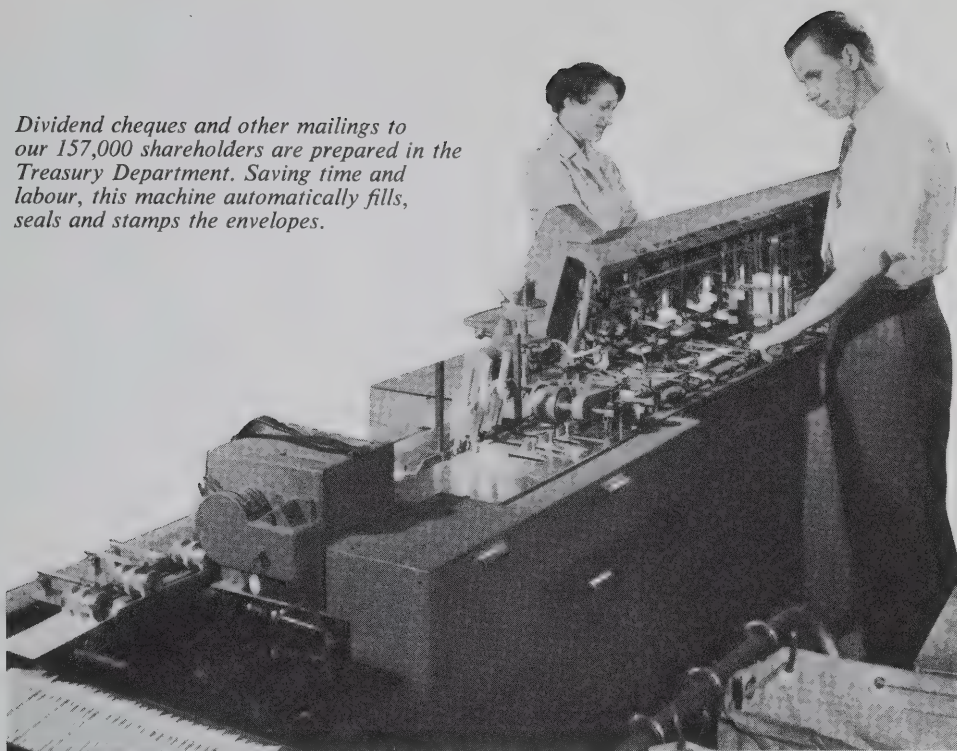
RATE APPLICATION WAS SUCCESSFUL

Early in January 1958, the Board of Transport Commissioners for Canada approved a new rate schedule for the Company, but it was appealed to the Cabinet by the municipalities which had opposed our application. On April 29 the Cabinet rescinded the award, ruling that, in determining telephone rates, the Board should not treat as an expense the provision being made for deferred income tax payments.

The Company was thus faced with a continuing decline in earnings — already inadequate — at a time when long-term financing should have been undertaken in large amounts. After close study of the procedures open to us, it was decided that a further application to the Board had to be made. We therefore submitted new tariffs designed to yield net earnings per share within the limit that had been allowed by the Board in January. Our statement of revenue requirements was based on a return to the pre-1954 practice of paying the year's income tax in full without any deferral.

After hearings in September and October, the Board approved the Company's proposed rate schedule with very minor changes. This order too was appealed, but on November 27 the Cabinet upheld the Board's ruling, and

Dividend cheques and other mailings to our 157,000 shareholders are prepared in the Treasury Department. Saving time and labour, this machine automatically fills, seals and stamps the envelopes.



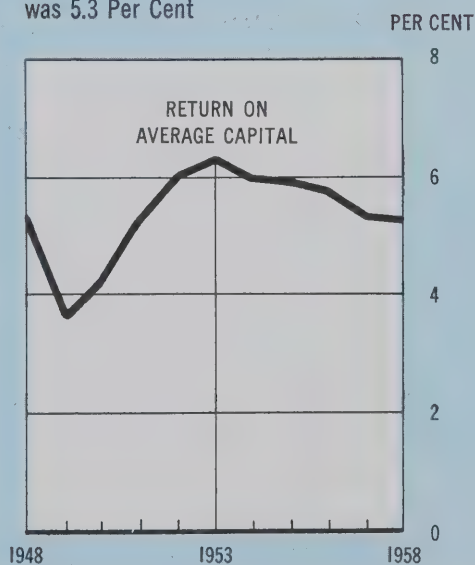
the new rates went into effect on December 1. They are expected to improve our net income in 1959 by about \$8,800,000.

FINANCING WAS RESTRICTED

Continuing uncertainty regarding our rate situation naturally affected financing, and it was necessary to cancel plans for a stock issue in the latter part of 1958. Shares were sold only under the Employees' Stock Plan, and these brought in \$6,749,187 of new capital.

In March, a \$50,000,000 bond issue, bearing interest at $4\frac{1}{4}$ per cent, was sold in the United States.

Rate of Return
was 5.3 Per Cent

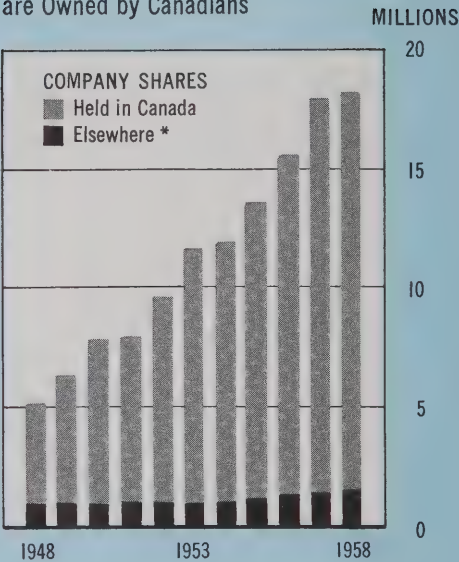


Because of the postponement of stock financing and the pressing need for new capital to meet the construction outlays to which we were already committed, we sold in the autumn \$30,000,000 of 4½ per cent debentures, payable in Canadian funds. They were issued in three series of \$10,000,000 each, and will mature in two, three and four years respectively.

In December, arrangements were made to sell \$30,000,000 of 5¼ per cent bonds, payable in Canadian funds, to be dated January 2, 1959. They will mature on July 2, 1980.

At the end of the year our shareholders numbered 157,724; 98 per cent were resident in Canada, and they owned 92 per cent of the stock. Over 13,800 employees and pensioners hold stock in the Company.

92 Per Cent of Bell Shares
are Owned by Canadians



* At the end of 1958 the American Telephone and Telegraph Company held 4.1 per cent of the total stock.

WE SERVED MANY MORE PEOPLE

In a year of restrained national progress, we added 185,465 new telephones; nine out of ten households in our territory now have service. With total

telephones in use amounting to 3,140,349, only 5,699 orders were carried over into 1959. Orders for individual in place of two-party lines not filled at the year's end numbered 12,257. The proportion of urban residence customers with individual lines increased during the twelve months from 45 to 51

TELEPHONES	
Total, end of 1957	2,954,884
Added, 1958	185,465
Total, end of 1958	3,140,349

UNFILLED ORDERS		
	End 1958	End 1957
Main Service	5,699	18,395
Higher Grades	12,257	33,683

per cent, and in most exchanges we are now able to provide our customers with the kind of service they want when they want it.

During the year our customers made 8.3 per cent more long distance calls than in 1957. Vigorous promotion of long distance through advertising

and direct selling contributed greatly to this noteworthy increase. The percentage rise in long distance calls was higher than in long distance revenue. This was due in part to the increasing proportion of lower-priced station-to-station calls, a trend the Company seeks to encourage both through its rate structure and by promotion. Station-to-station calling not only provides faster service, but also makes the most economical use of our mechanized switching centres.

CONSTRUCTION BUDGET INCREASED

We spent about \$183,000,000 during the year on the buildings and all other equipment required to improve service and to serve new customers. New equipment buildings were opened or existing buildings were extended in 119 different communities.

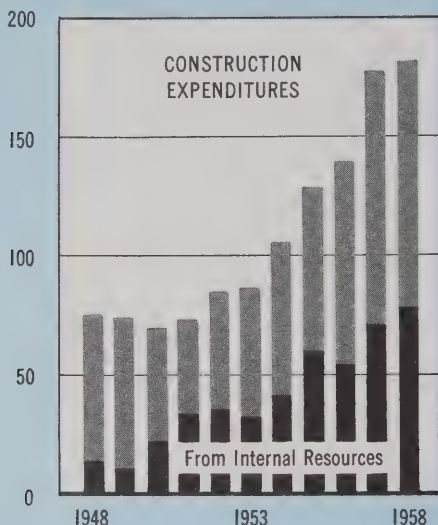
In the post-war period, the Company's construction expenditures have totalled well over one billion dollars. In the four years 1955 to 1958 these outlays amounted to \$628 million, a sum almost equal to the estimated cost of the entire Canadian share of the St. Lawrence Seaway.

The service representative deals with a wide variety of customer requirements with promptness and courtesy. Her supervisor, who used to be a service representative herself, advises her on how best to carry out her customers' wishes.



\$183 Millions Spent to Improve and Extend Service

\$ MILLIONS



The average cost of the physical plant behind each telephone has been rising for many years; at the end of 1958 it amounted to \$439.

SERVICE EXTENDED AND IMPROVED

In Canada today, providing good service imposes two special requirements on the telephone company. We must bring service to isolated communities and we must see that growing cities get the right kind of service. Both received our close attention during 1958.

A radio relay system was opened from Quebec City through Sept Iles to Goose Bay and the Knob Lake area. A cooperative undertaking of this Company and Québec-Téléphone, it is designed to serve as a backbone route from which communications can be provided to north-eastern Canada, with its growing importance in mining, defence and civil aviation. In Goose Bay we opened a new dial exchange to serve both the air base and local residents.

Construction work was carried out to allow us to introduce Extended Area Service in ten more Montreal suburban exchanges in March 1959. This will raise to over 500,000 the number of customers who can make calls between the city and its suburbs free of long distance charges. In all, three-



Newsmen in 37 cities across Canada took part in the closed-circuit television press conference which announced the coast-to-coast completion of the Trans-Canada radio relay network. T. W. Eadie, Chairman of the Trans-Canada Telephone System, and J. A. Ouimet, General Manager of the Canadian Broadcasting Corporation, presented to them the story and advantages of the network.

quarters of our customers now benefit from some form of Extended Area Service, and its further development to meet their requirements is under continual study. However, we must ensure that in each case the rates charged are sufficient to compensate for both the additional cost and the loss in long distance revenue.

We have made steady progress in our efforts to extend service in country districts and to improve it. By the end of the year, some 14,000 more telephones were in service in rural territory and an additional 7,200 customers formerly served on a rural line basis had been provided with urban service. We are at present carrying out a field trial of a transistorized carrier system, which makes it possible to transmit five separate conversations on one pair of wires. Economical and easy to install, it has been developed especially for use in country districts.

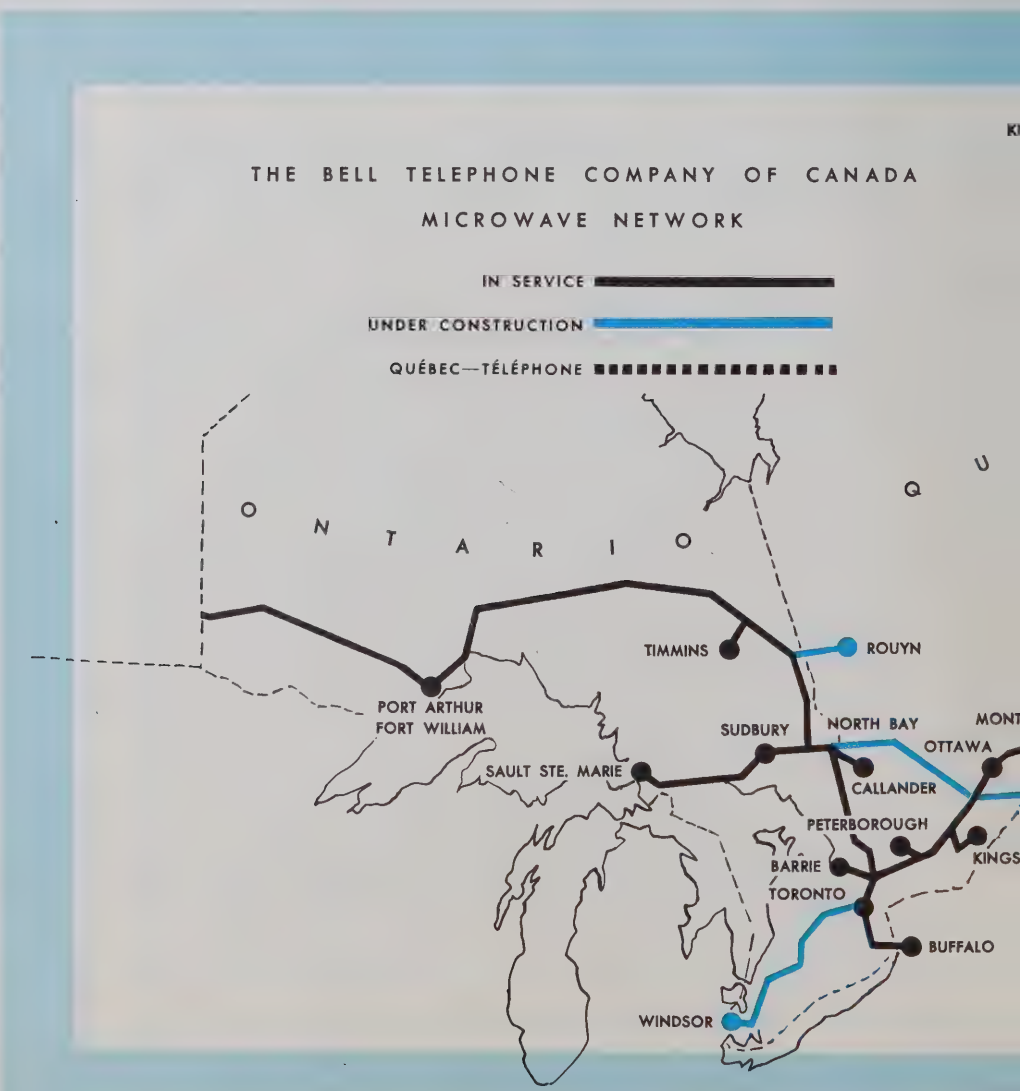
TRANS-CANADA MICROWAVE NETWORK OPENED

The coast-to-coast radio relay network, which was built in cooperation with our fellow members of the Trans-Canada Telephone System, was formally

opened on July 1. Carrying both long distance telephone calls and television programs, it is truly one of the most significant advances in the history of Canadian communications.

COMPANY MICROWAVE NETWORK EXTENDED

Extending the radio relay network in our own territory, we have begun to build microwave chains from Montreal to North Bay, and from Toronto to London and Windsor. A link between Montreal and New York has gone into operation. Some of the relay points on these systems have been specially located to provide by-passes round the larger cities. By thus setting up alternate routes, we can increase reliability and also meet an important defence requirement.

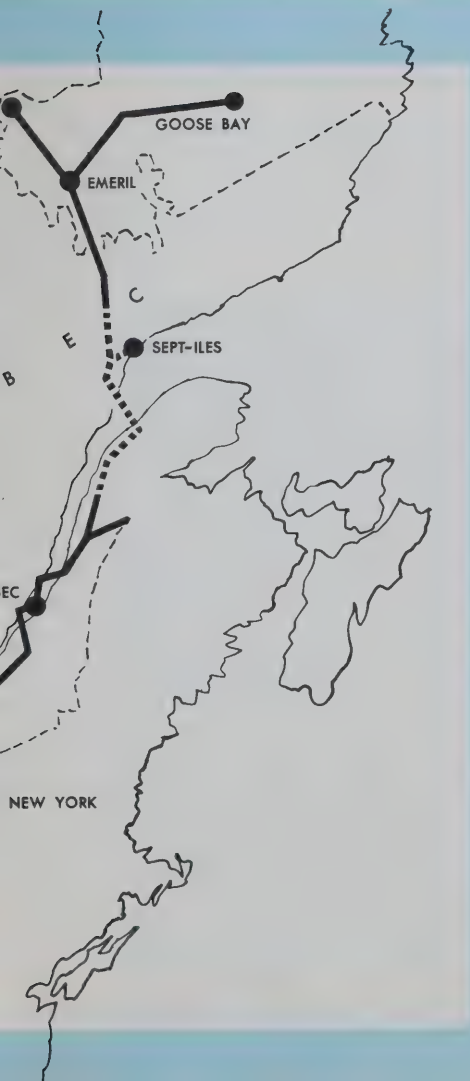


The new radio relay systems enable us to carry economically the swelling tide of long distance calls. Yet we are building more cable routes than ever before, generally to handle the shorter haul traffic. For example, an additional cable system, now being built by stages from Montreal to Toronto, is designed primarily to carry calls between the towns and cities along the way. A new cable was also installed in 1958 from Quebec City to Chicoutimi.

DDD INTRODUCED IN TORONTO

Direct Distance Dialing was introduced in Toronto in May, and our customers there were soon dialing 97 per cent of the long distance calls which they could dial direct. Guelph and Windsor also have DDD, and we plan to add steadily both to our DDD communities and to the number of out-of-town telephones that can be reached by direct dialing.

The scope of operator direct dialing was also extended. Sharing many of the advantages of customer dialing, it too is an efficient and economical means of handling our ever-growing long distance traffic.





For the greater convenience of our customers, we have divided the Montreal directory into separate alphabetical and Yellow Page sections. A direct, most effective form of advertising for our business customers, the Yellow Pages are also an important source of revenue for the Company.

SALES EFFORT INCREASED REVENUES

During 1958, we developed a growing market for an increasing variety of services, including emergency reporting systems which speed fire and police alarms through the telephone network. One innovation that found immediate favour with business customers was a private dial exchange which does not require a separate equipment room and can be operated from a console on the attendant's desk. Demand for coloured telephones is growing steadily, and we furnished 75,000 more of them to our customers during the year.

Fort William and Port Arthur were added to the cities where mobile telephone service is available, and distribution facilities were provided for a growing number of community television projects. A unique communications system was installed in the new Queen Elizabeth Hotel in Montreal, and arrangements were made for a similar system in the Royal York Hotel in Toronto. A lamp on the telephone tells a guest that someone has called in

his absence and there is a message waiting for him. Also, he can dial direct to both hotel services and city numbers.

Our employees are being trained to seek out sales opportunities and to make each occasion as productive as possible. They learn to tailor their sales suggestions to a customer's particular need and advantage, whether they are dealing with the colour of a set or the versatility of an intercommunications network.

NEW METHODS BROUGHT BETTER SERVICE

New equipment and operating methods were widely used to enhance the efficiency with which we provide service and to help hold down the various costs of doing business. The active cooperation of the Northern Electric Company greatly assisted us in carrying out these purposes.

A new type of polyethylene-encased and insulated cable simplified the splicing job and so reduced the cost of both installation and maintenance. Over short distances plastic-insulated distribution wire was installed instead of cable, which would have been more expensive and would have delayed the

This smart, modern console provides full switchboard service for up to sixty telephones. Similarly compact is the crossbar switching equipment associated with it.



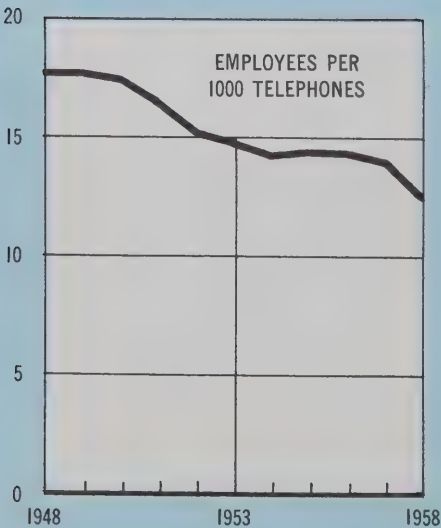
provision of service. With marked benefit to both customers and the Company, we have considerably reduced the time required to engineer and construct new central offices.

We have begun to test a new line concentrator. Located near the homes of the customers it serves, it organizes the use of circuits so that ten lines to the central office will handle the conversations from about forty telephones. Besides reducing the amount of plant required, this installation can help us provide telephones more rapidly for a new housing development or an apartment block.

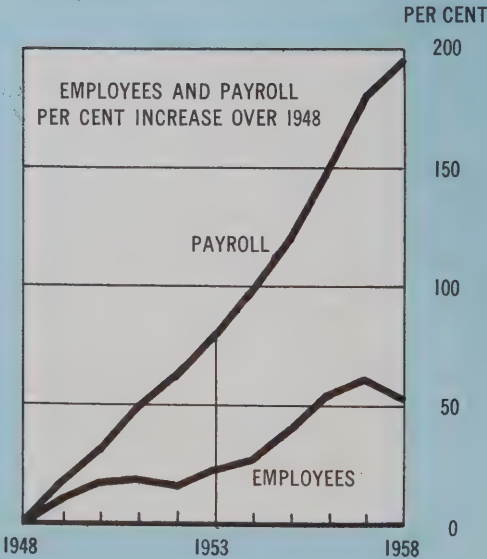
As part of the Company-wide program to achieve better, more economical operation, a large number of administrative procedures were simplified. They included: dealing with trouble on long distance lines; ordering supplies; taking inventory of craftsmen's tools; and processing customers' payments.

The greater stability of the working force also helped us to control costs, making it possible both to reduce the time spent on instruction and to reassign experienced men and women from training to operational tasks.

Fewer Employees
Served More Telephones



Payroll Continued
to Increase





Telephone lines and radio links stretch out to remote areas, helping people and industries there to keep in touch. Beyond Nestor Falls, at the western limit of Ontario, a Plant man works on a long distance cable.

During the year some 5,000 men and women joined the Company. However, due to retirements, resignations and limited replacement, the number of employees declined by 2,042 to 39,321.

DIRECTOR AND OFFICERS APPOINTED

Hon. Charles A. Dunning, P.C., died in October after a long and distinguished career in government and industry. His sound, thoughtful counsel through 17 years of devoted service as a member of our Board and of the Executive Committee was of the highest value to this Company.



The Panorama of Telephone Progress presents the fascinating story of communications through exhibits ranging from primitive forms of signalling to the latest electronic devices. Located on the 20th floor of the Company's headquarters building in Montreal, it is open to the public for individual or organized visits.

John A. Fuller, President of The Shawinigan Water and Power Company, was appointed a director in November.

On April 1, Alexander G. Lester, Assistant Vice-President, was named Vice-President with responsibilities for rates, development and engineering. He is also responsible for coordination of the Company's defence activities.

On August 1, Vice-President Harold G. Young succeeded T. W. Eadie as Chairman of the Trans-Canada Telephone System.

HEALTH AND SAFETY RECORD WELL PRESERVED

The health of employees continued at a high level throughout the year, the rate of sickness absence being one of the lowest ever recorded. The Company has long given priority to the promotion of safety-inspired working habits and methods. In 1958 there was an encouraging reduction in the number of lost-time accident cases.

ACTS OF COURAGE CITED

Citation certificates for acts of courage were awarded to four employees. Alfred R. Rhodes and John B. MacDonald of the Plant Department in Galt, at great personal risk, rescued the unconscious driver of a crashed and already burning car. Lowell J. Blaney of the Plant Department in Hawkesbury saved the life of a man who was drowning in an old stone quarry. Kenneth W. Richardson of the Plant Department in Toronto rescued an elderly man who had fallen off a bridge into the Don River. Letters of commendation from the President for acts of public service were presented to 29 other employees.

EMPLOYEES MADE OUTSTANDING CONTRIBUTION

In 1958 we provided telephones for a large number of new customers and handled a substantial increase in both local and long distance calls. Yet this progress was achieved by fewer employees than were required in either of the two previous years. The ability and application of our people, the efficacy of their training, the usefulness of the tools and equipment which research has provided all contributed to this notable increase in productivity.

It was a year of very great public interest in this Company and in how we conduct our business. The directors would like to pay tribute to the admirable way in which the employees represented the Company both on the job and as citizens within their communities. Their understanding of the obligations of public service has been most heartening to those responsible for the future of the Company.

For the Board of Directors,

A handwritten signature in blue ink, appearing to read "H. W. Blaney", with a large, stylized initial "H" and a long, sweeping underline.

February 4, 1959.

Chairman.

COMPARATIVE

ASSETS

	Dec. 31, 1958	Dec. 31, 1957
Telephone Property (at cost)		
Land and Buildings.	\$ 130,505,232	\$ 113,737,858
Telephone Plant and Equipment	1,247,768,885	1,109,877,406
Switching equipment, poles, wire, cable, underground conduit, telephone apparatus, motor vehicles, office furniture and other equipment.		
TOTAL TELEPHONE PROPERTY	<u>\$1,378,274,117</u>	<u>\$1,223,615,264</u>
Investments (at cost)		
Subsidiary Companies	\$ 26,645,554	\$ 26,645,755
Capital Stock \$26,620,554		
Advances 25,000		
Other Investments	12,767,339	11,911,085
The aggregate market value of investments in subsidiary companies and of other investments (or net worth where market values are not available) exceeds the cost.		
TOTAL INVESTMENTS	<u>\$ 39,412,893</u>	<u>\$ 38,556,840</u>
Current Assets		
Cash	\$ 6,566,000	\$ 4,095,711
Temporary Cash Investments	—	22,923,343
Accounts Receivable	41,042,787	37,295,309
Subsidiary Companies \$ 25,900		
Amounts due for service (less reserve for uncollectible accounts), interest, dividends, rents, etc., and working advances to employees.		
Material and Supplies	11,688,914	11,961,904
Principally for construction and maintenance purposes, held at cost.		
TOTAL CURRENT ASSETS	<u>\$ 59,297,701</u>	<u>\$ 76,276,267</u>
Deferred Charges		
Prepayments and Other Deferred Charges	\$ 12,731,331	\$ 13,436,095
Principally rents, taxes, insurance, cost of directories and other items applicable to period subsequent to December 31.		
Unamortized Discount and Redemption Premium on Long Term Debt	3,617,658	3,104,790
TOTAL DEFERRED CHARGES	<u>\$ 16,348,989</u>	<u>\$ 16,540,885</u>
TOTAL ASSETS	<u>\$1,493,333,700</u>	<u>\$1,354,989,256</u>

Signed on behalf of the Board of Directors:
C. E. GRAVEL, *Director.*
J. A. ECCLES, *Director.*

B A L A N C E S H E E T**LIABILITIES**

	Dec. 31, 1958	Dec. 31, 1957
Capital Stock and Surplus		
Common Stock — par value \$25 per share	\$ 454,598,900	\$ 449,599,500
Authorized: by charter — 40,000,000 shares, by shareholders — 30,000,000 shares. Outstanding: 18,183,956 fully paid shares at December 31, 1958.		
Premium on Capital Stock	139,211,431	137,461,644
Amount received in excess of par value.		
Surplus	37,552,023	35,253,383
Income balance for year 1958 \$ 2,718,860		
Miscellaneous deductions (net) 1958 420,220		
TOTAL CAPITAL STOCK AND SURPLUS	\$ 631,362,354	\$ 622,314,527
Long Term Debt (see page 29)		
Bonds — First Mortgage	\$ 393,000,000	\$ 343,000,000
Debentures	30,000,000	—
Note Sold to Trustee of Pension Fund	—	407,431
TOTAL LONG TERM DEBT	\$ 423,000,000	\$ 343,407,431
Current and Accrued Liabilities		
Accounts and Notes Payable	\$ 25,703,351	\$ 26,369,988
Subsidiary Companies \$14,428,681		
Amounts owing for supplies, payrolls and other items.		
Advance Billing and Payments for Service	9,090,022	7,720,031
Dividend Payable	9,091,978	8,991,990
Taxes Accrued	22,552,712	8,377,491
Interest Accrued	3,663,364	2,699,570
Other Accrued Liabilities	640,253	582,625
TOTAL CURRENT AND ACCRUED LIABILITIES	\$ 70,741,680	\$ 54,741,695
Depreciation Reserve	\$ 305,707,145	\$ 274,122,282
Provision to meet loss of investment in telephone property upon its ultimate retirement from service.		
Deferred Credits		
Income Tax	\$ 48,215,813	\$ 48,215,813
Reduction in income taxes for the years 1954 to 1957 inclusive, for appropriation in future years, due to depreciation deducted for tax purposes being in excess of that included in operating expenses.		
Employees' Stock Plan	13,078,710	10,919,740
Instalments paid by employees subscribing for capital stock, with interest thereon.		
Unextinguished Premium on Long Term Debt	854,944	928,772
Other Deferred Credits	373,054	338,996
TOTAL DEFERRED CREDITS	\$ 62,522,521	\$ 60,403,321
TOTAL LIABILITIES	\$ 1,493,333,700	\$ 1,354,989,256

W. McNEILL, *Comptroller.*

COMPARATIVE INCOME STATEMENT

	Year 1958	Year 1957
Operating Revenues		
Local Service Revenues	\$203,416,546	\$187,168,285
Long Distance Service Revenues	106,203,225	99,442,131
Miscellaneous Revenues	20,325,500	17,280,224
<i>Principally from directory advertising.</i>		
Less: Uncollectible Operating Revenues	1,127,700	904,820
Total Operating Revenues	<u>\$328,817,571</u>	<u>\$302,985,820</u>
Operating Expenses		
Current Maintenance	\$ 71,322,299	\$ 64,685,017
<i>Cost of inspection, repairs and rearrangements required to keep the telephone property in good operating condition.</i>		
Depreciation	55,753,618	48,953,620
<i>Provision to meet the loss of investment when depreciable property is retired from service, based on rates designed to spread this loss uniformly over the life of the property.</i>		
Traffic Expenses	39,809,883	40,192,699
<i>Principally operators' wages.</i>		
Commercial Expenses	30,807,643	28,657,729
<i>Costs incurred in business relations with customers; public telephone commissions; cost of directories; sales expense, etc.</i>		
Other Operating Expenses	41,609,817	37,956,239
<i>General office salaries and expenses, benefit payments, provision for service pensions, operating rents and other general expenses.</i>		
<i>Year 1958: salaries paid to Executive Officers \$594,617; salaries and fees paid to Counsel, Solicitors and other legal advisors of the Company \$161,286; fees paid to Directors and members of the Executive Committee \$84,934, of which \$8,700 was paid and accounted for by subsidiary companies.</i>		
Total Operating Expenses	<u>\$239,303,260</u>	<u>\$220,445,304</u>
NET OPERATING REVENUES	<u>\$ 89,514,311</u>	<u>\$ 82,540,516</u>
Operating Taxes		
Income Taxes	\$ 29,118,000	\$ 27,871,000
Other Taxes	12,902,000	11,859,000
Total Operating Taxes	<u>\$ 42,020,000</u>	<u>\$ 39,730,000</u>
NET OPERATING INCOME	<u>\$ 47,494,311</u>	<u>\$ 42,810,516</u>
Other Income		
Interest and Dividends from Investments	\$ 3,736,876	\$ 3,150,828
Miscellaneous Income (Net)	3,072,661	3,864,820
<i>Principally interest, on plant under construction and temporary cash investments.</i>		
Total Other Income	<u>\$ 6,809,537</u>	<u>\$ 7,015,648</u>
INCOME AVAILABLE FOR FIXED CHARGES	<u>\$ 54,303,848</u>	<u>\$ 49,826,164</u>
Fixed Charges		
Interest on Long Term Debt	\$ 14,527,160	\$ 12,473,909
<i>Interest and related foreign exchange.</i>		
Other Interest	669,225	1,069,220
Amortization of Discount and Premium on Long Term Debt	208,174	245,866
<i>Proportion of discount, premium and expense applicable to the year relating to bonds outstanding and redeemed.</i>		
Total Fixed Charges	<u>\$ 15,404,559</u>	<u>\$ 13,788,995</u>
NET INCOME AVAILABLE FOR DIVIDENDS	<u>\$ 38,899,289</u>	<u>\$ 36,037,169</u>
Dividends	<u>36,180,429</u>	<u>33,480,970</u>
BALANCE TRANSFERRED TO SURPLUS	<u>\$ 2,718,860</u>	<u>\$ 2,556,199</u>

AUDITORS' REPORT

P. S. ROSS & SONS

CHARTERED ACCOUNTANTS

MONTREAL TORONTO
SAINT JOHN OTTAWA
VANCOUVER CALGARY
LONDON, ONT.

A U D I T O R S ' R E P O R T

To the Shareholders of
The Bell Telephone Company of Canada,
Montreal, Que.

We have examined the balance sheet of The Bell Telephone Company of Canada as at December 31, 1958 and the income statement for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

We report that the operations of the subsidiary companies for the year ended December 31, 1958 resulted in an aggregate net profit of which only the dividends received or receivable by the Company have been included in the accompanying income statement.

In our opinion the accompanying balance sheet and income statement are properly drawn up, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, so as to exhibit a true and correct view of the financial position of The Bell Telephone Company of Canada at December 31, 1958 and the result from operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the Company.



Chartered Accountants.

Montreal, Que.
February 3, 1959.



This new equipment lashes telephone cable to its supporting steel strand before it is strung between the poles. This is but one of many methods developed to simplify construction work and so hold down costs.

LONG TERM DEBT

Dec. 31, 1958

Bonds—First Mortgage

SERIES D — Maturing Aug. 1, 1964 — $3\frac{1}{4}\%$	. . . . .	\$ 25,000,000
SERIES E — Maturing Mar. 1, 1977 — 3\%	. . . . .	35,000,000
SERIES F — Maturing Feb. 15, 1973 — $3\frac{1}{4}\%$	. . . . .	35,000,000
SERIES G — Maturing June 1, 1975 — $3\frac{3}{8}\%$	. . . . .	40,000,000
SERIES H — Maturing May 1, 1960 — $2\frac{1}{2}\%$	(Payable in U.S. Funds)	8,000,000
SERIES I — Maturing May 1, 1976 — $3\frac{1}{2}\%$	. . . . .	40,000,000
SERIES J — Maturing Dec. 15, 1967 — $4\frac{1}{2}\%$	. . . . .	40,000,000
SERIES K — Maturing May 15, 1979 — $3\frac{3}{4}\%$	. . . . .	40,000,000
SERIES L — Maturing Dec. 1, 1970 — 4\%	. . . . .	16,000,000
SERIES M — Maturing June 1, 1981 — 4\%	. . . . .	24,000,000
SERIES N — Maturing Jan. 2, 1972 — $4\frac{3}{4}\%$	(Payable in U.S. Funds)	20,000,000
SERIES O — Maturing Mar. 15, 1972 — 5\%	. . . . .	20,000,000
SERIES P — Maturing Mar. 15, 1983 — $4\frac{1}{4}\%$	(Payable in U.S. Funds)	50,000,000
Total Bonds		\$393,000,000

Debentures

SERIES A — Maturing Oct. 1, 1960 — $4\frac{1}{2}\%$	. . . . .	\$ 10,000,000
SERIES B — Maturing Oct. 1, 1961 — $4\frac{1}{2}\%$	. . . . .	10,000,000
SERIES C — Maturing Oct. 1, 1962 — $4\frac{1}{2}\%$	. . . . .	10,000,000
Total Debentures		\$ 30,000,000
TOTAL LONG TERM DEBT		\$423,000,000

BENEFITS AND PENSIONS

UNDER THE PLAN FOR EMPLOYEES' PENSIONS,
DISABILITY BENEFITS AND DEATH BENEFITS
YEAR 1958

Sickness Benefits	\$1,131,735
Accident Benefits	62,007
Death Benefits	448,520
Disability Pensions	54,235

The Company has established a fund with The Royal Trust Company, Montreal, as Trustee; this fund is irrevocably devoted to service pension purposes. Under an accrual program based on actuarial studies, regular payments are made to the fund by the Company and amounted to \$10,495,096 in the year 1958. The amount in the fund fully provides for future service pension payments to those now on the pension rolls and those now entitled to retire on pension at their own request. The fund is not a part of the assets of the Company and is therefore not reflected in the balance sheet.

AT DECEMBER 31	1951	1952	1953
Number of Telephones	1,839,750	1,976,123	2,127,456
Business	593,529	628,129	671,035
Residence	1,246,221	1,347,994	1,456,421
Per cent Residence	67.7	68.2	68.5
Per cent Dial	77.3	79.5	81.0
Telephones Added During the Year*	113,424	136,373	151,333
Connected	429,579	452,717	492,646
Disconnected	316,155	316,344	341,313
Other Telephone Systems (In Ontario and Quebec)	834	820	770
Connecting and Miscellaneous Telephones	267,272	293,992	311,122
Number of Bell Central Offices	514	532	546
Average Daily Connections*	11,833,000	12,415,000	13,136,000
Long Distance	259,000	248,000	256,000
Miles of Long Distance Circuits	570,000	636,000	727,000
Construction Expenditures*	\$ 72,600,000	\$ 85,300,000	\$ 85,700,000
Total Plant and Equipment	\$582,048,747	\$653,582,972	\$726,351,464
Per Telephone	\$316	\$331	\$341
Number of Employees	30,292	29,941	31,502
Men	10,924	10,988	11,585
Women	19,368	18,953	19,917
Total Payroll*	\$ 78,066,254	\$ 85,345,453	\$ 93,936,298
Number of Shareholders	83,551	100,890	115,789
In Canada	81,726	98,765	113,464
Elsewhere	1,825	2,125	2,325
Total Shares Outstanding	7,856,618	9,599,817	11,617,032
Total Operating Revenues*	\$159,070,522	\$184,398,074	\$201,962,734
Total Operating Expenses*	\$115,248,224	\$126,559,114	\$139,163,413
Net Income*	\$ 16,203,208	\$ 22,570,350	\$ 26,848,740
Per Average Share Outstanding	\$2.08	\$2.47	\$2.65

*For the year ended December 31.

TELEPHONE STORY IN FIGURES

1954	1955	1956	1957	1958
2,294,458	2,522,745	2,766,153	2,954,884	3,140,349
718,597	782,620	848,724	893,211	940,589
1,575,861	1,740,125	1,917,429	2,061,673	2,199,760
68.7	69.0	69.3	69.8	70.0
82.6	83.9	86.1	88.7	90.0
167,002	228,287	243,408	188,731	185,465
572,616	685,516	759,089	731,970	785,279
405,614	457,229	515,681	543,239	599,814
741	706	674	636	612
312,213	288,392	289,539	295,796	310,767
596	662	733	777	815
13,940,000	15,747,000	16,989,000	18,646,000	19,829,000
267,000	298,000	317,000	336,000	361,000
806,000	908,000	1,058,000	1,187,000	1,451,000
\$105,300,000	\$128,400,000	\$ 139,500,000	\$ 177,300,000	\$ 183,200,000
\$821,437,516	\$945,119,244	\$1,066,296,579	\$1,223,615,264	\$1,378,274,117
\$358	\$375	\$385	\$414	\$439
32,706	36,340	39,688	41,363	39,321
12,160	13,892	15,632	17,018	16,784
20,546	22,448	24,056	24,345	22,537
\$103,382,705	\$116,037,106	\$ 130,677,707	\$ 146,952,560	\$ 154,611,767
114,782	125,223	140,726	156,825	157,724
112,246	122,452	137,753	153,498	154,308
2,536	2,771	2,973	3,327	3,416
11,759,949	13,643,401	15,506,932	17,983,980	18,183,956
\$219,374,348	\$244,899,537	\$ 273,975,152	\$ 302,985,820	\$ 328,817,571
\$153,721,763	\$173,197,648	\$ 196,252,745	\$ 220,445,304	\$ 239,303,260
\$ 28,549,135	\$ 31,978,042	\$ 34,949,181	\$ 36,037,169	\$ 38,899,289
\$2.44	\$2.43	\$2.40	\$2.15	\$2.15

The blue area above represents the continued, vigorous growth of the Company's business as measured by the increase in telephones served — from 1,726,326 at the beginning of 1951 to 3,140,349 at the end of 1958.



"Glad you called . . . How do I sound on our new bedroom phone?"

Whether your home is large or small, an extension in your bedroom is a step-saver by day, a sentinel all through the night. Wouldn't an extra phone provide greater convenience and pleasure in your home? You can have it put in promptly by calling your Telephone Business Office.

EXTENSION PHONES, in black or colour, cost only \$1.25 per month—even less in some communities—with an extra installation charge when you choose colour (red, green, beige or ivory).

THE BELL TELEPHONE COMPANY OF CANADA





"...just finished the dishes and thought I'd relax a moment and call you on my new kitchen phone!"

How convenient to have an extension in the kitchen! Saves Mother money a step all day long . . . enables her to keep an eye on her cooking too. Extra phones in apartment or mansion give a lot of pleasure, add little to your monthly bill. And you can have them put in promptly by calling your Telephone Business Office.

EXTENSION PHONES, in black or colour, cost only \$1.25 per month—even less in some communities—with an extra installation charge when you choose colour (red, green, beige or ivory).

THE BELL TELEPHONE COMPANY OF CANADA



Through advertising we present to our customers the many advantages of extension telephones. We use newspaper and magazine advertisements, radio and television, truck posters and displays. Such advertising supports the personal efforts of our employees and helps us increase revenues by selling more service.



"Didn't budge from my chair, Joe—we've a phone in the living room too!"

An extension phone is a small luxury that becomes a big convenience when you settle down in your favourite chair for the evening! And when the main phone is at the other end of the house it saves you steps all day long. Yet an extra phone costs less per month than a man's tie!

EXTENSION PHONES cost only \$1.25 per month—even less in some communities. IN COLOUR TOO—available now in red, green, beige or ivory. There is a small additional charge for the colour (see above). Call your Telephone Business Office.

THE BELL TELEPHONE COMPANY OF CANADA




"Hi, Mom! Thanks again for our beautiful coloured phone—it's just been installed!"

newest idea in Christmas Gifts

An attractive Certificate is available to announce your gift

EXTENSION PHONES, in a variety of decorator colours, make ideal gifts for everyone on your list. Beautiful . . . useful . . . and surprisingly inexpensive. Just call us for full details.

THE BELL TELEPHONE COMPANY OF CANADA



More and more of our customers are bringing new colour into their homes with their telephones. The range of colours that we offer them is designed to look attractive in whatever room they wish to enjoy telephone service — living room, bedroom, kitchen, workshop or playroom.





Our customers in Toronto now dial many of their own long distance calls. These operators ask for the caller's number and then key-pulse it to the machines that prepare automatically a billing record of the call.

The reliability of telephone service is safeguarded in many different ways.

Here, long distance cable is being wrapped in protective covering before it is buried underground.

